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Economic Feasibility Study

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June 1, 2004

Purpose and components of an economic feasibility study

The economic feasibility study (EFS) should demonstrate the net benefit of the proposed application in light of the benefits and costs to the agency, other state agencies, and the general public as a whole. The agency must submit its EFS and request for approval to the Office of Financial Management (OFM) prior to accepting or disbursing electronic funds/benefits. Approval from OFM is required for pilot and permanent applications, and both Internet and retail applications. When completing the EFS, the agency should consider only those portions of the proposed application that are related to electronic payment processing.

The EFS is composed of a cover letter, a business case, and analytical worksheets. In addition, supporting documentation can provide additional detail on the elements and may be included in the EFS if necessary to support the other components of the EFS.

For very small applications and certain expansions to existing processes, the business case and analytical information may be presented in the cover letter. Contact OFM to determine if this may be done for your application.

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Cover letter

The cover letter is addressed to the Assistant Director of the Accounting Division of OFM and must be signed by an Assistant Director, or equivalent agency official at the requesting agency. It should contain the name, telephone number, fax number and e-mail address of a contact person at the agency proposing the application. A brief description of the proposal and payment method should be included, as well as a statement as to whether this is a new method of service delivery or an enhancement of a current mechanism. The letter should also state whether this is a pilot or permanent project. A copy of this cover letter should also be sent to the OST Outreach Coordinator.

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Business case

The business case should provide an analysis of the business environment including, but not limited to, a description of who the expected customers are, the nature of the business, how the payment is currently being processed, if applicable, and the current and expected volume and timing of transactions. The business case should include a description of the assumptions made in the EFS and the reasoning behind those assumptions. Other alternative processes considered should be noted and the consequences of not implementing the proposed application should be explained. The business case should also discuss the benefits of the proposed project.

A summary of the agency's economic feasibility elements and the potential need for funding should be included. A summary of the feasibility elements for other state agencies and the public should also be included in the business case. Additional guidance is available below in Subsection 40.40.40 and at the OFM Administrative and Accounting Resources website at <http://www.ofm.wa.gov/resources/default.asp>.

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Economic feasibility elements

Economic feasibility elements can be expressed quantitatively in the analytical worksheets and summarized in the business case, if possible, or they can be expressed qualitatively in the business case.

The elements include, but are not limited to:

- a) Increased agency revenue;
- b) Decreased agency revenue;
- c) Increased agency costs;
- d) Decreased agency costs;
- e) Increased revenue to other agencies and/or the general public;
- f) Decreased revenue to other agencies and/or the general public;
- g) Increased costs to other agencies and/or the general public;
- h) Decreased costs to other agencies and/or the general public;
- i) Other public benefits

The elements for the agency should be separated from those of other state agencies and the general public so that the potential funding requirements can be discerned.

Additional guidance on economic feasibility elements is available at the OFM Administrative and Accounting Resources website at <http://www.ofm.wa.gov/resources/default.asp>.

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Analytical worksheets and supporting documentation

Analytical worksheets are spreadsheets that summarize the revenues and costs involved with the proposed project. The amounts on the analytical worksheets should support the amounts and assumptions in the business case. An analytical worksheet summarizing the impact to the agency, other state agencies, and the general public should also be included, as applicable.

Suggested formats and guidelines for analytical worksheets are available at the OFM Administrative and Accounting Resources website at <http://www.ofm.wa.gov/resources/default.asp>. These are illustrative only. Agencies have the option of expanding or revising the suggested formats based on the nature and scope of the proposed project.

Additional supporting documentation that provides further detail on the economic feasibility elements may be included in the EFS if necessary to support the other components of the EFS.